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C O N F I D E N T I A L SECTION 01 OF 04 COLOMBO 001750

SIPDIS

FOR AMBASSADOR TAYLOR IN S/CT FROM CHARGE AMSELEM; ALSO  
PASS SA/INS DIRECTOR GOOD

E.O. 12958: DECL: 09/17/12

TAGS: [PREL](#) [PGOV](#) [PTER](#) [ECON](#) [CE](#)

SUBJECT: Scenesetter for your upcoming visit to  
Sri Lanka

(U) Classified by W. Lewis Amselem, Charge d'Affaires.  
Reasons 1.5 (b, d).

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Summary  
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1. (C) I want to extend a warm welcome to you on your September 28-30 visit to Sri Lanka. Your visit comes at an exciting time. A ceasefire has been in place since December 2001, and the government and the Tamil Tigers just sat down for constructive face-to-face talks, which are due to continue later this year. The situation remains fluid, however, with the intentions of the Tigers -- a FTO-listed organization -- still unclear. The peace process could also be undermined by domestic fissures, such as "cohabitation" stresses between the PM and the President, and tensions between the Muslim community and the LTTE. The government is also dealing with a delicate economic situation.

2. (C) This period of tremendous opportunity and volatility in Sri Lanka is also a time of significant U.S. influence. Prime Minister Wickremesinghe wants to work closely with the U.S. Your visit will help cement the gains made in U.S.-Sri Lankan relations by underscoring our strong support for the peace process, and by providing a forum to brief the GSL on the global campaign against terrorism. In addition, your visit provides an opportunity to underscore our continuing commitment to assisting the government in counterterrorism training. End Summary.

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Status of the Peace Process  
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3. (C) The election of a new government in December 2001 heralded in an exciting -- and potentially momentous -- period in Sri Lanka. The United National Front (UNF) government headed by Prime Minister Ranil Wickremasinghe has taken an activist posture, particularly regarding the peace process. In short order, the government and the Liberation Tigers of Tamil Eelam (LTTE) re-initiated the stalled Norwegian government facilitation effort and put unilateral ceasefires into effect in December 2001. The government also took rapid steps to ease tensions by lifting roadblocks and checkpoints, and ending bans on medicine and other items entering LTTE-controlled territories. The government's performance on human rights issues has also been a strong one, with many fewer Tamils complaining of mistreatment at the hands of the security forces. (Note: There is still an appearance of impunity in some cases that the GSL needs to do more to grapple with, however.)

4. (C) Continuing the positive trend, the GSL and the LTTE went on to conclude a formal ceasefire accord in February. The accord is being monitored by the Norwegian-run Sri Lanka Monitoring Mission (SLMM), which has performed capably, but is thin on the ground. In a benchmark event, the two sides met face-to-face in Thailand, September 16-18. Before the talks took place, the GSL met the longtime demand of the LTTE and lifted its ban on the organization, effectively legalizing the LTTE as a political entity in Sri Lanka. The talks -- though preliminary -- were constructive, and set the stage for further talks slated to take place later this year. In a press conference held at the end of the talks, the chief LTTE negotiator also made remarks that seem to have edged away from an outright demand for a separate state for Tamils.

5. (C) All of these steps have had a dramatic effect in decreasing tensions in the country, bringing relief to a war weary populace. Already, the ongoing ceasefire is the longest break that Sri Lankans have had from the ethnic conflict since it began in 1983. This new spirit was symbolized by PM Wickremesinghe's visit to Jaffna in March, the first such visit by a GSL leader in years. SA Assistant Secretary Rocca joined Wickeremesinghe for

part of this visit, underscoring U.S. support for the peace process. A/S Rocca's visit also led to the arrival of a demining team sponsored by the U.S., which has been clearing mines in Jaffna since April. The Deputy Secretary also made a highly successful visit to war-ravaged Jaffna during his August visit to Sri Lanka.

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LTTE Intentions not clear  
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16. (C) Despite so much progress in so short a time, GSL interlocutors will be the first to tell you that the situation is potentially fluid. One key reason for this is lack of confidence in the LTTE (which has been listed on our Foreign Terrorist Organization list since 1997). While it is clear that the LTTE is worried about further international isolation in the aftermath of September 11 (there are indications that intensified international pressure has decreased its funding, for example), it is not clear whether the organization is simply looking for a hiatus to wait out the storm. Some of the LTTE's activities raise questions about its commitment to peace, including forced recruitment for its military (some of it of children), and the widespread extortion of money from Tamils and Muslims. The LTTE also remains authoritarian in structure and has not renounced terrorism (although there have been no reported LTTE-sponsored terrorist attacks this year). With full knowledge of these risks, the GSL has made the decision that it wants to test the LTTE to determine whether it is for real and, so far, this policy is generating favorable results.

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Cohabitation Stresses and Muslim issue  
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17. (C) Another factor that could unravel the peace process is domestic opposition in the south. The radical, Sinhalese chauvinist Janantha Vimukthi Peramuna (JVP) party has engaged in rallies and demonstrations against the ceasefire accord. A potentially more ominous threat is President Kumaratunga and her party, who have sent mixed signals, at times constructive, at times critical. Kumaratunga's attitude seems largely bound up in the cohabitation tensions that flare between her and Prime Minister Wickremasinghe's government.

18. (C) Another level of tension involves the Muslim community and the LTTE. The two sides have long been at loggerheads, particularly in the ethnically mixed Eastern Province. Based on first-hand observation by Mission personnel and other reports, some Muslims are so angered at efforts by the LTTE to marginalize their community that the possible growth of Islamic extremism needs to be closely monitored. Taken together, all of these tensions are not positive for the peace process, especially during this sensitive period when the negotiation track with the LTTE is just starting up.

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Economic Issues  
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19. (SBU) Turning briefly to economic issues, Sri Lanka's situation is delicate. While it has the most open economy in South Asia and a relatively high per capita income (USD 837), economic growth has been uneven and is mostly confined to the greater Colombo region. A litany of problems in 2001 conspired to produce the country's first year of GDP contraction since independence (minus 1.4 percent). The new UNF government appears committed to putting the right policies in place to re-ignite economic growth. The main test of this commitment came in its 2002 budget, presented in March. This budget contained many substantive reform measures and was key to restarting the suspended payments of the IMF's Standby Arrangement. The government is now implementing many of these reforms, while trying to minimize the burden of increased prices on the population. We expect 2002 to be a rebuilding year, with growth of 2-3 percent.

10. (SBU) Our trade relationship with Sri Lanka entered a new phase with the signing of a bilateral Trade and Investment Framework Agreement (TIFA) in July. The TIFA sets up a council, jointly chaired by USTR and the Sri Lankan Ministry of Commerce, to discuss trade and investment issues. The first council meeting is to take place in November with the visit to Sri Lanka of Deputy USTR Ambassador Huntsman. The U.S. intends to use the TIFA process to improve the investment climate in Sri Lanka and win greater business here for American firms.

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## Counterterrorism training

11. (C) One area of particular interest to the GSL will be counterterrorism training. The U.S. has engaged Sri Lanka quite actively in this key area. In addition to military-to-military training, the ATA and INL programs in Sri Lanka continue very successfully. In FY-02, the ATA program conducted five courses and spent approximately USD 1.2 million to equip 80 police and government of Sri Lanka officials with various anti-terrorist skills. In addition, INL, in conjunction with the Department of Justice trained an additional 50 criminal justice sector officials in investigation and prosecution.

12. (C) The government of Sri Lanka has responded positively to the training. Unlike some countries, Sri Lanka takes pride in incorporating the training material and pedagogy into its budding police training curriculum. But much work remains to be done -- and Sri Lankans know it. On the heels of the most recent ATA counterterrorism legislation seminar, Sri Lanka has identified areas where it needs further assistance. From material assistance with creation of a national criminal database to assistance with financial crimes investigation skills, Sri Lanka awaits much needed -- and appreciated -- ATA training. As Ambassador Wills noted in a recent message to you, we believe that Sri Lanka should remain a priority country for such training.

## Conclusion

13. (C) This exciting period in Sri Lanka provides many opportunities for the U.S. Per the recent policy review, USG agencies are in the process of visiting Sri Lanka to assess possible enhanced defense cooperation, review economic and commercial issues, and study the possible return of the Peace Corps. As he made clear to President Bush during their meeting in Washington in July and to the Deputy Secretary in Colombo in August, Prime Minister Wickremesinghe wants to work closely with the U.S. Your visit will further help cement U.S.-Sri Lankan relations by underscoring our strong support for the peace process and by providing a forum to brief the GSL on the global campaign against terrorism. In addition, your visit provides an opportunity to underscore our continuing commitment to assisting the government in counterterrorism training.

14. (SBU) We suggest that you make the following key points in your meetings with Sri Lankan officials:

- Express strong U.S. support for the peace process and Norwegian facilitation. GSL needs to keep up momentum; Sri Lanka is a vital symbol of movement toward peace and stability in a troubled South Asian region.

- All parties should work in national interest on peace process and on economic reform. It is important that peace process not falter because of political infighting.

- Express appreciation to Sri Lanka for its support of the global campaign against terrorism. Review with GSL interlocutors the status of the global campaign.

- Review opportunities for additional U.S.-sponsored counterterrorism training.

- Human rights issues important; GSL has shown significant improvement; need to work to end appearance of impunity.

AMSELEM